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Economic Overview

At its meeting held on 19 June 2025, the Bank of Botswana's Monetary Policy Committee (MPC) kept the Monetary Policy Rate (MoPR) unchanged at 1.9%. However, the MPC increased the repurchase agreement (repo) tenure from 7 days to up to one month. A repo refers to a short-term collateralised loan by the central bank to commercial banks designed to facilitate injection of liquidity in the market. With longer maturity, there is a decrease of rollover frequency, thus lowering the risk of funding disruptions. Therefore, the longer duration is intended to provide a cost-effective and predictable funding alternative. This should allow commercial banks to plan their cash flows over several days or weeks. The MPC's adjustment to the repo tenor marks the bank's latest response to the ongoing liquidity crunch, having first reduced the Primary Reserve Requirement (PRR) from 2.5% to zero in December 2024.

Inflation increased to 2.0% for the month of June, a 0.1% increase from 1.9% recorded in May. This brings the year-to-date average inflation to 2.4%. The main contributors to the annual inflation rate were the Food & Non-Alcoholic Beverages and Miscellaneous Goods & Services groups, which accounted for 0.8% apiece. On the other hand, the Transport group contributed -0.5%. The group indices largely moved at a stable pace between May and June 2025, recording changes of less than 1.0%. The Restaurants & Hotels index was 128.7 in June 2025, an increase of 0.4%, from 128.2 recorded in May. This was due to the increase in the constituent sections indices of Restaurants, Cafes & the Like (0.4%) and Accommodation Services (0.2%). The Food & Non-Alcoholic Beverages Index recorded a modest increase of 0.2%, rising from 152.8 in May to 153.2 in June 2025. This upward movement was primarily influenced by notable price increases within several constituent sections.

Fixed Income Market Overview

In June, appetite for government securities declined slightly and bid to cover ratios weakened on both the short and the long end of the curve. A total of BWP1.75 billion was auctioned but only BWP1.431 billion or 81.8% was allocated, with more interest shown at the shorter end of the curve. Stop out yields on the 3 and 6-month treasury bills rose to 5.096% and 6.091% respectively, up from 4.008% and 4.447% in the preceding month reflective of the ongoing liquidity crisis.

Product Performance

iPRO Botswana Money Market Fund (IBMMF)

The IBMMF delivered a return of 0.91% net of fees for the month of June, bringing the rolling 3-month and 12-month returns to 2.70% and 7.77%, respectively. This compares favorably against the benchmark Average Overnight Call Rate returns of 0.14% and 0.55% for the same periods.